



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

The Municipal Manager
Magareng Local Municipality
P.O Box 10
Warrenton
8530

30 November 2019

Reference: 21356REG18/19

Dear Madam

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Magareng Local Municipality for the year ended 30 June 2019

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa and section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA, you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



Moji Makamole

Senior Manager: Northern Cape Business Unit

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Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Magareng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Magareng Local Municipality set out on pages x to x, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Magareng Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Property, Plant and Equipment

3. I was unable to obtain sufficient appropriate audit evidence that land, buildings and community assets for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the land, buildings and community assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to land, buildings and community assets stated at R23 286 494 (2018: R29 602 608) in the financial statements.
4. The municipality did not recognise all assets in accordance with GRAP 17, Property, plant and equipment. As the municipality did not maintain adequate records of impairment for assets, I was unable to determine the full extent of the overstatement of property, plant and equipment as it was impracticable to do so.
5. The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. Disposals to property, plant and equipment were incorrectly recognised in the current financial year. Consequently, Loss on disposal of assets and liabilities was overstated by R4 797 198 in the financial statements. There was an impact on the surplus for the period and on the accumulated surplus. Additionally, land, buildings and community assets in the current and previous year had not been properly accounted for and could not be verified. Consequently, property, plant and equipment was overstated R2 893 034 (2018: R2 893 034).

6. I was unable to obtain sufficient appropriate audit evidence that impairment loss for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the impairment loss by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to impairment loss stated at R13 652 946 (2018: R4 396 401) in note 27 to the financial statements.

Investment property

7. I was unable to obtain sufficient appropriate audit evidence that investment property for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to investment property stated at R24 485 600 (2018: R23 518 519) in note 9 the financial statements. In addition, there was a resultant impact on prior period error note disclosed in note 37 to the financial statements.

Revenue from exchange transactions

8. The municipality did not recognise revenue transactions accurately in accordance with GRAP 9: *Revenue from exchange transactions*. The municipality charged an incorrect interest rate for long outstanding debtors. Consequently, interest earned, receivables from exchange transactions and receivables from non-exchange transactions was understated by R1 865 880. In addition, I was unable to obtain sufficient appropriate audit evidence that interest from outstanding receivables had been properly accounted for, due to the status of the accounting records. I was unable to confirm the interest from outstanding receivables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to interest earned -outstanding receivables stated at R10 470 272 in the financial statements.
9. The municipality did not record all service charges billed to consumers, which resulted in service charges of R27 221 938 disclosed in note 18 and receivables from exchange transactions of R5 259 178 disclosed in note 7 to the financial statements being understated by R2 646 535. In addition, I was unable to obtain sufficient appropriate audit evidence that all prepaid electricity been recorded, as the municipality did not have adequate systems and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to service charges stated at R27 221 938 and receivables from exchange transactions stated at R5 259 178 in financial statements. In addition, there was a resultant impact on material losses disclosed in note 48 to the financial statements for the current and comparative years.
10. During 2018, I was unable to obtain sufficient appropriate audit evidence that the municipality had properly accounted for service charges, due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions. I could not confirm service charges by alternative means. In addition, there was a resultant impact on receivables from exchange transactions, interest sundry and the VAT receivable. Consequently, I was unable to determine whether any adjustments were necessary to service charges, stated at R33 979 038 (2017: R27 902 830) in note 18 to the financial statements.

11. During 2018, the municipality did not recognise revenue from exchange transactions relating to service charges in accordance with GRAP 9, *Revenue from exchange transactions*, due to meter readings not having been done as well as incorrect billing and tariffs. I was unable to determine the full extent of the misstatement of revenue from exchange transactions relating to service charges and receivables from exchange transactions as it was impracticable to do so.

Revenue from non-exchange transactions

12. The municipality did not recognise revenue transactions accurately in accordance with GRAP 23: *Revenue from non-exchange transactions*. The municipality charged an incorrect interest rate for long outstanding debtors. Consequently, interest earned, receivables from exchange transactions and receivables from non-exchange transactions was understated by R1 865 880. In addition, I was unable to obtain sufficient appropriate audit evidence that interest from outstanding receivables had been properly accounted for, due to the status of the accounting records. I was unable to confirm the interest from outstanding receivables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to interest earned -outstanding receivables stated at R2 591 442 in the financial statements.
13. I was unable to obtain sufficient appropriate audit evidence that revenue from property rates for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from property rates stated at R7 595 086 (2018: R7 444 856) in note 21 and receivables from non-exchange transactions stated at R7 230 577 in note 5 to the financial statements.
14. I was unable to obtain sufficient appropriate audit evidence that fines, penalties and forfeits for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to fines, penalties and forfeits stated at R13 599 040 (2018: R17 220 872) and receivables from non-exchange transactions stated at R7 230 577 in note 5 to the financial statements.

Cash Flow Statement

15. The municipality did not recognise all items of the Cash flow statement in accordance with GRAP 2: *Cash flow statements*. Non-cash items were recognised on the face of the cash flow statement and in the calculations of net amounts. Consequently, the Cash flow statement was materially misstated. I was unable to determine the full extent of the misstatement as it was impracticable to do so.

Prior period errors

16. The municipality did not recognise prior period errors in accordance with GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. The municipality did not reconcile the amounts disclosed to the final disclosed amounts in the financial statements. In addition, Disposals of property, plant and equipment were incorrectly recognised as expenditure in the current financial year. Consequently, prior period errors disclosure note was overstated by R9 817 144 in the financial statements. Additionally, there was an impact on the accumulated surplus in the financial statements.

Contingent liabilities

17. I was unable to obtain sufficient appropriate audit evidence that contingent liabilities for the current and previous year had been properly accounted for, due to not obtaining the required legal confirmations. I was unable to confirm the contingent liabilities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contingent liabilities stated at R5 000 000 in the financial statements.

Irregular expenditure

18. The municipality did not disclose the required information on irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The irregular expenditure as disclosed in note 41 of the financial statements incorrectly included value added tax. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure stated at R59 560 581 (2018: R51 097 741)

Context for the opinion

19. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
20. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
21. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

22. I draw attention to the matter below. My opinion is not modified in respect of this matter.
23. I draw attention to note 44 to the financial statements, which indicates that funds to be surrendered are not fully cash backed as required, the municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously, water distribution losses has increased to 88% from (2018: 40%), Furthermore, the municipality incurred a net deficit for the year under review of R44 972 499 (2018: deficit R17 345 351). As stated in note 44, these events or conditions, along with the other matters as set forth in note 44, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

24. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

25. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Underspending of the budget

26. As disclosed in the Statement of Comparison of Budget and Actual Amounts, the municipality materially underspent the budget by R4 974 207 on employee related cost, R7 329 567 on contracted services and R20 462 897 on general expenses.

Other matters

27. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes (MFMA 125)

28. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

29. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and the DORA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

30. In preparing the financial statements, the accounting officer is responsible for assessing the Magareng Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

31. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

32. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report

Report on the audit of the annual performance report

Introduction and scope

33. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
34. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
35. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019:

Key Performance Areas	Pages in the annual performance report
KPA 2: basic service delivery and infrastructure development	x – x

36. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
37. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

Strategic objective: Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance

38. The strategic objective approved in the integrated development plan was create an environment that promotes development of local economy and facilitate job creation. However, the objective reported in the annual performance report was eradicate backlogs in order to improve access to services and ensure proper operations and maintenance.
39. The strategic objective approved in the integrated development plan was to improve overall financial management in the municipality by developing & implementing appropriate financial management focus are infrastructure development. However, the objective reported in the

annual performance report was eradicate backlogs in order to improve access to services and ensure proper operations and maintenance.

TL01 - Percentage of low voltage lines completed in Magareng LM by end June 2019

40. The planned indicator and target were the percentage of low voltage lines completed, but the reported achievement referred to was the percentage of budget utilised for low voltage line projects.

Various indicators

41. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

No	Indicator description	Reported achievement	Audited value
TL01	Percentage of low voltage lines completed in Magareng LM by end June 2019	30%	0%
TL03	Number of water pressure pumps refurbished in various wards within Magareng LM by end June 2019	6	0
TL04	Number of elevated steel tank refurbished in Magareng by end June 2019	1	0
TL08	Percentage of the municipal capital budget actually spent on capital projects identified in terms of the IDP (Actual amount spent on projects as identified for the year in the IDP/Total amount spent on capital projects)*100)by end June 2019	65.13%	85,86%

Various indicators

42. I was unable to obtain sufficient appropriate audit evidence for the reported achievements for the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report:

Indicator number	Indicator description	Reported Achievement
TL05	Number of kilometers of Magareng water pipe constructed by end June 2019	600m
TL06	Number of cubic meters of Magareng steel tank constructed by end June 2019	500m
TL07	Number of full time equivalents created through EPWP by end December 2019	79

Other matter

43. I draw attention to the matter below.

Achievement of planned targets

44. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

Report on the audit of compliance with legislation

Introduction and scope

45. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

46. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements and annual reports

47. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
48. The local community was not invited to submit representations in connection with the 2017/18 annual report, as required by section 127(5)(a) of the MFMA.
49. The oversight report adopted by the council on the 2017/18 annual report was not made public, as required by section 129(3) of the MFMA.

Expenditure management

50. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
51. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R59 560 581, as disclosed in note 41, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure.
52. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R5 400 199, as disclosed in note 40 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

53. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R72 033 254, as disclosed in note 39 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Revenue management

54. A credit control and debt collection policy was not adopted, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
55. An adequate management, accounting and information system which accounts for revenue, debtors and receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.
56. An effective system of internal control for debtors, and revenue was not in place, as required by section 64(2)(f) of the MFMA.
57. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
58. Accounts for service charges were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

Asset management

59. Investment policy adopted by council was not in place, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a).
60. I was unable to obtain sufficient appropriate audit evidence that all investments were made in accordance with the requirements of the investment policy such as withdrawals and investments made in the absence of a adopted investment policy, as required by municipal investment regulation 3(3).
61. Capital assets were disposed of without the municipal council having in a meeting open to the public, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Strategic planning and performance management

62. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

Procurement and contract management

63. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
64. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
65. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).

66. Bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
67. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Consequence management

68. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Other information

69. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.
70. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
71. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area's presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
72. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary

Internal control deficiencies

73. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
74. The leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall process of planning, budgeting, implementation and reporting. This pertains to the overall

performance management systems and processes, annual financial statements and compliance with laws and regulations.

75. The leadership of the municipality did not take adequate responsibility for establishing and communicating policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities in respect of consequence management.
76. The leadership of the municipality did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did implement and monitor adherence to the plan in a timely manner. This is due to the audit action plan not being compiled timeously in order to address audit findings in a timely manner. This has resulted in repeat findings being identified in the current year audit.
77. The municipality did not implement sufficient proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Furthermore, the municipality did not have a proper filing system to maintain information that supported the reported financial information. This included information that related to the collection, collation, verification, storing and reporting of actual financial statements items.
78. The municipality did not adequately prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. The financial statements and the performance report contained numerous misstatements. This was mainly due to staff not fully understanding the requirements of the financial reporting framework
79. The municipality did not review and monitor compliance with applicable legislation. Furthermore, the municipality does not have adequate processes in place to identify irregular expenditure. Processes in place do not detect non-compliance relating to procurement processes that are not followed. A significant amount of irregular expenditure was identified during the audit process that was not disclosed in the financial statements.
80. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored. The municipality did not conduct a risk assessment, as required by the MFMA, consequently, controls were not developed to prevent, detect and correct material misstatements in financial and performance reporting.
81. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored. The municipality did not conduct a risk assessment, as required by the MFMA, consequently, controls were not developed to prevent, detect and correct material misstatements in financial and performance reporting.

Auditor General

Kimberley

30 November 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected KPA’s and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.